

1 CHAIRPERSON JAMES: Mr. Alan Feldman.

2 MR. FELDMAN: Madam Chairman and members of the
3 Commission, welcome to Las Vegas. My name is Alan Feldman and
4 for the past nine years I've been vice president of public
5 affairs at Mirage Resorts. Prior to that I worked extensively in
6 public relations and marketing consulting at Carl Byer (ph) and
7 Associates and Hilinolton (ph), two of the largest public
8 relations firms in the world. Among my clients during those
9 years were airlines, travel destinations, consumer packaged
10 goods, consumer electronics products, musical instrument
11 manufacturers and automobile manufacturers.

12 In my years in the casino profession every casino
13 marketing effort I've observed has its roots elsewhere in the
14 techniques developed in retail industries. By that I don't mean
15 to sound pejorative of any of my colleagues, nor do I want to
16 suggest that the travel and tourism promotion of Las Vegas is
17 nothing less than state of the art. I simply want to state for
18 the record that the casino marketing element of our profession
19 has taken all of its cues from other businesses and industries.
20 This despite the remarkable statements being made to this
21 Commission even today by people with little or no direct contact
22 with our profession but most certainly with an ax to grind.

23 For example, you've been told repeatedly that the
24 casino industry relies on compulsive gamblers for the majority of
25 its revenues. The facts say otherwise. Targeting gamblers,
26 compulsive or otherwise, is simply bad business because the
27 largest market potential for Las Vegas is with visitors who come
28 here for a vacation and entertainment experience. Once here,

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1 each individual makes a decision about how to spend his or her
2 money which may include enjoying shopping, dining, entertainment
3 and, of course, gaming.

4 If you could chart the public's attitudes about Las
5 Vegas and gaming, it would look very much like the basic bell
6 curve, the smallest number of people at the ends and the largest
7 number of people in the middle. At one end are people for whom a
8 trip to Las Vegas is not in the cards. They really find no
9 appeal in our invitation or they're turned off by gambling to
10 such a degree that they would never consider coming. At the
11 other end are people who have no business being at a casino.
12 Those are the people who have problems with gambling or are
13 pathological in their behavior.

14 The largest group of people is comprised of those in
15 the middle, people who will visit Las Vegas if we offer the right
16 attractions. For some, it's a luxury hotel; for others a fine
17 restaurant or unique entertainment. The reality of marketing
18 advertising and promotion of Las Vegas to our visitors rests in
19 our ability to create a compelling invitation. So how do we
20 really market Las Vegas and gaming?

21 The marketing of Las Vegas properties can be broken
22 down into three distinct and often completely separate
23 components; travel and tourism marketing, which involves both
24 marketing directly to consumers and to the travel trade;
25 convention marketing and casino marketing. The overwhelming
26 success of Las Vegas is due to a combination of the efforts of
27 the individual hotels and the work of our award winning visitor
28 convention authority, the LVCVA. Working together the hotel

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1 properties and the LVCVA have created a comprehensive program of
2 marketing advertising and promotion to create that compelling
3 invitation to Las Vegas.

4 The travel and tourism marketing efforts are by far
5 the most significant element of the marketing success of our
6 destination. The techniques implemented by the LVCVA to market
7 the destination and any of the properties individual efforts are
8 virtually identical to counterpart companies in non-gaming
9 jurisdictions. We often appear at trade shows or place ads in
10 similar media to cities such as New York or Orlando, to states
11 such as Virginia or California and to attractions such as
12 Disneyland or Universal Studios.

13 Almost without exception no other destination has
14 enjoyed the success of Las Vegas in the past two decades. I have
15 a page of statistics that I'm going to spare you of. I think our
16 success is pretty well known by now. There have been some key
17 shifts relating to visitor patterns and they're worth noting
18 here. These would be over the past decade. First time visitors
19 have almost doubled, up to 29 percent of all visitors today.

20 International visitors have almost quadrupled, almost
21 20 percent of our visitors today come from a foreign country.
22 The percentage of visitors who do not gamble at all has doubled
23 to 11 percent of those who visit Las Vegas today. And the
24 percentage of visitors from markets other than the Southern
25 California where we used to rely for the majority of our guests,
26 the percentage coming from some place else has increased to 75
27 percent of those who visit Las Vegas.

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1 The largest segment of visitors to Las Vegas is in
2 the leisure segment, those people simply coming for a vacation.
3 They accounted for 26.4 million visitors to Las Vegas during
4 1997, which is 87 percent of the total. These guests are
5 attracted here as a vacation destination in a variety of ways.
6 The LVCVA utilizes a multi-media and integrated marketing program
7 to promote Las Vegas to consumers around the world. This is
8 supplemented by campaigns undertaken by individual properties
9 which range from fully integrated television advertising and
10 direct mail campaigns to far simpler and less costly efforts.

11 These campaigns may include broadcast and print
12 advertising. The largest percentage of marketing budgets are
13 spent on television advertising on both a national and spot
14 market basis in the United States. In addition, national network
15 cable television, radio, national and spot market print, spot
16 market outdoor and national consumer magazine ads are used. Just
17 for clarity, spot markets refers to buying ads in specific
18 locations as opposed to buying them nationally.

19 The spot markets that we tend to rely on the most
20 include Los Angeles, San Diego, San Francisco, Seattle, Phoenix,
21 Chicago, Denver, Detroit, Minneapolis, Houston, Dallas and
22 Atlanta. The advertising undertaken by the LVCVA and the
23 individual properties such as ours, focuses primarily on the key
24 elements of tourism; shopping, dining, entertainment and
25 sightseeing. The overwhelming majority of all of that
26 advertising of Las Vegas to consumers in outlying markets does
27 not reference gambling at all.

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1 Most of the large Las Vegas properties as well as the
2 LVCVA have a presence on the Internet with web pages.
3 Internationally advertising placements on television, newspapers
4 and travel publications are directed to consumers in Canada,
5 Mexico, England, Germany, Japan, and France. The LVCVA has
6 formed sponsorships with many brand name partners to promote the
7 destination by a national retail level promotions with companies
8 such as Fox Television, Samsonite, Phillips 66, Rodeo America,
9 Vons Supermarkets and VH- 1.

10 Additionally, many hotels, including the one we're
11 in, stage large public special events including concerts and
12 athletic events, many of which are also televised. Finally, for
13 consumers we utilize public relations programs targeting leading
14 travel publications and major market media outlets emphasizing
15 new developments and attractions within each of our hotels as
16 well as throughout Southern Nevada.

17 In addition to generating news coverage about Las
18 Vegas, many of us invite television programs to broadcast from
19 our properties. The Tonight Show with Jay Lenno has been
20 broadcast here at the MGM Grand on a couple of occasions. Just
21 last week Good Morning America was broadcast from Caesar's Palace
22 and there are currently discussions underway in Las Vegas with
23 the Rosie O'Donnell Show and Oprah to come to Las Vegas and
24 broadcast.

25 I mentioned earlier that we also market to the travel
26 trade. As 40 percent of the leisure travelers who visit Las
27 Vegas use a travel agent when planning their trips, we use a
28 combination of sales, advertising, public relations and

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1 promotional programs for the travel trade which is comprised of
2 travel agents and tour operators. We place advertising in
3 leading travel agent magazines. We attend trade shows, as I
4 mentioned earlier. There's bi-monthly mailings to more than
5 40,000 travel agents about Las Vegas and its events and
6 attractions.

7 We stage many Las Vegas trade shows in more than 30
8 key markets for Las Vegas. The LVCVA sponsors two national
9 travel agent contests a year to increase bookings to Las Vegas.
10 The LVCVA also hosts familiarization trips for travel agents in
11 which 1,000 to 2,000 travel agents come to Las Vegas to increase
12 their knowledge of our market. We produce a variety of
13 collateral pieces and publications also from the LVCVA to assist
14 travel agents and tour operators in learning more about Las
15 Vegas.

16 The LVCVA has also distributed a Las Vegas
17 destination CD-ROM to more than 40,000 travel agents this year.
18 We advertise in support of tour operators and charter carriers
19 who service Las Vegas by a brochure and ticket jacket advertising
20 and we also sponsor product launches. And finally for the trade
21 on the international front, the LVCVA has offices in England,
22 Germany and Japan promoting this destination to travel
23 professionals in those countries.

24 On the convention and meeting side, the convention,
25 meetings and incentive market represented 13 percent of the
26 visitors to Las Vegas during 1997. Las Vegas hosted more than
27 3,800 conventions that year attracting three and a half million
28 delegates. These delegates contributed almost four and a half

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1 billion dollars in non-gaming economic impact to Southern Nevada.
2 The LVCVA and several of the major hotel properties again use a
3 combination of sales, advertising, public relations, hospitality
4 and promotional programs to market to the convention, meetings
5 and incentive segment.

6 Once again, we advertise in the magazines for that
7 segment. We attend the leading trade shows. We host
8 familiarization trips for meeting planners and association
9 executives. The LVCVA conducts two to three direct mail
10 campaigns each year to this market updating them on available
11 dates and exhibit and meeting space. There's a variety of
12 collateral materials and LVCVA publications that are produced to
13 assist and educate convention and meeting and incentive planners
14 on Las Vegas.

15 And finally, the convention and meetings trade is
16 also reached by traditional public relations efforts. Now,,onto
17 casino marketing. I've heard some of my senior colleagues say of
18 the public, "You cannot make them gamble nor can you stop them
19 from gambling." Casino marketing as a practice in Las Vegas and
20 in several other gaming markets is designed to meet the needs of
21 our guests. That is to say the casinos react to guest inquiries
22 and requests once the guests are in a casino. I know of no case
23 in which a casino has attempted to create new gambling customers.

24 That doesn't mean that we don't welcome new casino
25 customers but the decision to gamble is highly personal. One
26 made, like any of my competitors and certainly as Doctor Loveman
27 has just said, we want them to visit our property to build brand
28 loyalty. Furthermore, the vast growth of gambling has rendered

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1 slot machines and table games available all across the country.
2 There's nothing the least bit unique about these games. If
3 gambling was all our guests wanted, they could find it far closer
4 to home than by coming to Las Vegas.

5 For our company and the majority of the major resorts
6 in Las Vegas, we focus on the elements of tourism that have made
7 Las Vegas successful; shopping, dining, entertainment and
8 sightseeing. We want people to come to Las Vegas. If they
9 gamble, that's fine; if they don't that's fine, too. For most
10 operators in Las Vegas, the fastest area of growth and
11 profitability has been in non-gaming areas.

12 The marketing efforts that are casino specific rely
13 in most cases on customers identifying themselves as casino
14 customers. We then place their names on mailing lists for future
15 invitations to special events or promotions. Obviously, there
16 are casinos that advertise gaming broadly. Some offer discounts
17 on food or shows to increase traffic during slow periods. Yet,
18 from the often hysterical claims of those opposed to gambling, a
19 realistic picture has failed to emerge. The strategic success of
20 Las Vegas marketing lies in its ability to deliver exceptional
21 experiences at a fair price.

22 The Commission has heard stories of casinos targeting
23 problem gamblers. Despite the mind- boggling stupidity of the
24 idea, I have heard it suggested that it is through direct mail
25 that we can identify and target problem gamblers. Direct mail
26 lists are developed first and foremost by customers' request.
27 They give us their names and ask that information be sent them.
28 In fact, in a recent survey of Las Vegas visitors, they said

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1 overwhelmingly that they not only appreciated direct mail, they
2 didn't feel as though they received enough.

3 Every licensee in Nevada has the ability to remove a
4 patron's name from a list if they so request and the industry
5 recently fully supported the Nevada Gaming Commission's efforts
6 to formally require such a procedure. On occasion a resort may
7 engage in a direct mail campaign using a list coming from a third
8 party. In the majority of these cases the lists come from
9 marketing partners and are travel related. By way of example, at
10 Mirage Resorts we've created several direct mail campaigns with
11 American Express.

12 In such a case, the list remains the property of the
13 third party. I am aware of third party sources that create and
14 sell lists to marketers. We have never purchased such a list and
15 I have no direct knowledge of any other company that has utilized
16 such a service. In the end, the marketing sophistication of Las
17 Vegas lies in its ability to market to tourists, people like you
18 and me who are simply looking to get away from the routine of our
19 daily lives, enjoy a few days away from home relaxing, shopping,
20 dining and seeing great shows. It has little or nothing to do
21 with our ability to attract or even create gamblers.

22 People have been proving for centuries that for the
23 overwhelming majority of us, gambling is fun and enjoyable. We
24 find ourselves looking toward the new millennium with an
25 increased awareness that our competition is not a slot machine in
26 California or Indiana but the major tourism capitals of the
27 world. Thank you.

28 CHAIRPERSON JAMES: Thank you, Mr. Feldman.

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